Implementation of the UNIDO reform
Action taken since April 1996

Report by the Director-General
to the sixteenth session of the Industrial Development Board
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Summary

Responds to decision IDB.15/Dec.2 and provides information on further implementation of UNIDO reform since April 1996.

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Introduction

1. In the report to the fifteenth session of the Industrial Development Board on concluding the reform of UNIDO (IDB.15/14), UNIDO reported on action taken in the first quarter of 1996 following the sixth session of the General Conference in December 1995. The document outlined specifically details of the new organizational and staff structure, improvements in the management of UNIDO services and in supporting processes, new programme initiatives and recent developments in the areas of communications and industry links.

2. The Board, in decision IDB.15/Dec.2, requested the Director-General to continue his efforts to implement and conclude the reform process, and report to the sixteenth session on the implementation regarding the following specific reform aspects:

- Decentralization of administrative project approval and implementation tasks;
- Involvement of the private sector in developing countries as a beneficiary and a counterpart of the activities of the Organization;
- Formulation—together with Member States—of a new action-oriented programme for cooperation among developing countries;
- Strengthening the Investment Promotion Service (IPS) network by a more effective coordination mechanism between IPS offices and Headquarters;[1]
- Personnel-related issues such as, in particular, consultations with Member States on appointment of Managing Directors and the revised recruitment scheme.

The present report responds specifically to the above elements of decision IDB.15/Dec.2, and in chapter V provides a status report on UNIDO reform implementation.

I. ADMINISTRATIVE DECENTRALIZATION OF PROJECT IMPLEMENTATION

3. As reported in document IDB.15/14, UNIDO has been revising its project cycle management and related procedures since the beginning of 1996 in order to ensure increased efficiency and full alignment with the new thematic priorities. For this purpose, Director-General's bulletins were issued providing detailed policy guidelines governing both the development and the approval of programmes and projects.

4. Following the conclusion of structural adjustments and the personnel rationalization process, and based on the experience gained in pilot operations with selected substantive implementing units regarding decentralization of certain administrative tasks, the third and final Director-General's bulletin on the management of UNIDO services, covering programme and project implementation is expected to be issued in November 1996. In this connection, it is noteworthy to recognize that overall programme and project implementation responsibilities are for the first time laid down by a separate Director-General's bulletin.

5. As an integral part of UNIDO's quality system for its services, the bulletin defines policies, roles and responsibilities for the implementation of programmes and projects financed from extrabudgetary resources as well as the Regular Programme of Technical Cooperation. The bulletin clearly recognizes that the responsibility for the management of development programmes lies primarily with the Governments, institutions and enterprises of recipient countries. UNIDO's responsibility is the provision of services to assist in the identification, formulation or implementation of programmes and projects, which are provided in direct response to identified needs of clients so as to strengthen national capacities for industrial development.

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[1]To avoid duplication, reference is made to document IDB.16/11, which addresses this issue in section IV.B.

6. Programmes are defined as a series of interrelated projects and other activities under unified programme management. A team leader, proposed by the Programme and Project Review Committee (PPRC) and confirmed by the Policy and Management Committee (PMC), is responsible for the overall management and monitoring of a programme. Responsibility for projects, whether as part of a programme or on the basis of ad hoc requests, rests with project managers, who are appointed by PPRC on the basis of required expertise. Project managers are fully accountable for all actions taken on the project and responsible for planning and management of the implementation process in a timely and cost-effective manner.

7. Implementation is defined as the process of procuring all required inputs, carrying out the activities, producing the outputs and ensuring that these contribute to the achievement of the objective(s) as defined in the project document. Project implementation involves two groups of activities: (a) technical support, including technical monitoring; and (b) administrative and operational services, i.e. project personnel recruitment and administration, training services, equipment purchasing, subcontracting services and financial management.

8. The bulletin defines the distinct responsibilities of project managers on the one hand, and those of the operational support and financial services on the other. The project manager is directly responsible for providing all technical support required by the project and for the initiation, monitoring and coordination of all aspects of project implementation. If necessary, he/she can be supported by other substantive staff, but retains overall responsibility for the project and continues to be accountable throughout the implementation process.

9. Based on experience gained in the pilot operations conducted in late 1995, some administrative project implementation tasks will now be decentralized. This relates to the selection and recruitment of local project personnel and to the delegation of procurement authority in the case of acquisitions up to a value of $20,000.

10. The bulletin also specifies responsibilities for project reporting, project revisions and project completion procedures, and reconfirms existing bulletins relating to internal and in-depth evaluations of UNIDO executed projects.

11. Supporting detailed procedures and mechanisms ensuring smooth application of the new bulletin will be elaborated shortly. Also, the application of the new bulletin will be closely monitored and experience gained assessed after one year. Depending on the results of that assessment, additional steps may be taken towards further decentralization of project implementation functions. In particular, it will be carefully studied to what extent decentralized decision-making can be applied in the UNIDO field offices, following their gradual transformation into stronger and better staffed subregional offices (see document IDB.16/19 for the new approach proposed for UNIDO field representation).

12. In this context, reference is made to the allocation of limited technical cooperation funds that was made in 1995 to two field offices on a pilot basis. These funds were at the disposal of UCDs for either project development or the direct provision of substantive services at the country level. It is now planned, within available resources, to expand this approach to a greater number of field offices.

II. INVOLVEMENT OF THE PRIVATE SECTOR IN UNIDO ACTIVITIES

13. The direct interaction between UNIDO and the private sector has been significantly strengthened in recent years. Indeed, to involve the private sector in UNIDO programmes in a variety of advisory and cooperative function has been one essential dimension of the programmatic reform of UNIDO. This chapter reviews progress in three areas: the establishment of business councils, the involvement of the private sector in UNIDO technical cooperation programmes, and the Organization's interaction with non-governmental organizations (NGOs).

A. Business councils

14. The main objective of the establishment of international and national business councils is to extend and strengthen UNIDO's links with the private sector in an advisory capacity, in view of its lead role in the vast majority of countries as the driving force of industrial development. Two complementary approaches are being developed: the establishment of the International Business Advisory Council (IBAC) at the global level and the creation of National Industrial Business Councils at the country level. Both initiatives are based on discussions and recommendations of the open round table of industrialists during the sixth session of UNIDO's General Conference in December 1995.

International Business Advisory Council (IBAC)

15. UNIDO organized a conference towards the establishment of an International Business Advisory Council from 10 to 11 October 1996. Twenty-four industrial executives from Africa, Asia, Europe and Latin America discussed approaches aimed at helping UNIDO to build more effective partnerships with private industry. The Council will function as a think-tank advisory group for the Organization, helping to build bridges with industry and between industry and government. IBAC's mission is to serve as a global platform to assess key issues which affect business and industry. IBAC will facilitate interaction between industrialists from developed countries and those from developing countries and economies in transition in an increasingly interdependent world. It further endeavours to provide for a world-wide network supporting the efforts of developing countries to join the globalization process.

16. The members of IBAC elected a President and six additional Steering Committee members. It was decided that the Steering Committee will meet on a regular basis to discuss emerging trends and support requirements of industry in their countries, and subsequently recommend to the management of UNIDO the development of new initiatives and programmes. One of the first activities to be undertaken by all members of the Council is to enhance awareness of UNIDO in their own respective countries in order to improve the perception and image of UNIDO world-wide.

National Industrial Business Councils (NIBCs)

17. The establishment of NIBCs has recently been initiated with the cooperation of 12 UNIDO country offices. Some countries have been particularly active, such as India, Mexico and Tunisia, where the Councils are starting to be operational. Following the inaugural conference of IBAC, there has been general support for the establishment of NIBCs. The private sector representatives from Brazil, Egypt and Thailand specifically offered assistance by their national institutions to create NIBCs in their countries.

18. The objective of the NIBCs is to identify demands by the private sector for UNIDO services, provide sources of expertise to UNIDO, provide support to the Organization at the national level, develop and fund joint programmes within UNIDO thematic priorities, and recognize the role of industrial entrepreneurial achievements based on international standards and benchmarking.

19. It is planned to extend the NIBCs to most UNIDO recipient countries, thereby providing the private sector of the developing world with a network for cooperation among themselves and with developed countries.

B. Technical cooperation programmes

20. The growing importance of the private sector as the main agent of industrial development had been identified at the beginning of the reform process as one of the strongest trends to which a renewed UNIDO would have to respond. UNIDO has endeavoured therefore to ensure not only that its services ultimately benefit the private sector—which applies to the great majority of technical cooperation projects—but also to involve private sector entities, above all private sector institutions and associations, more directly as project

counterparts. As reported in the Annual Report of UNIDO 1995 (IDB.16/10, chapter II), the share of private sector counterparts in all UNIDO technical cooperation projects increased from slightly more than one quarter in 1992 to more than half in 1995.

21. The fact that UNIDO is increasingly working in support of the private sector and actively promotes the latter's lead role in industrial development has a number of implications. First, it broadens the range of UNIDO counterparts and leads to direct interaction with industry and industrial associations. Thus, enhanced staff involvement is needed—as compared to traditional "backstopping"—to cater for a variety of innovative implementation arrangements. Secondly, the services demanded from UNIDO have become more specific and sophisticated: up-to-date expertise is needed to advise, for instance on competitive and clean technologies and on quality management. As a consequence, UNIDO staff has to be highly specialized and must command direct industry-level experience so as to be able to compete in a market-driven environment calling for rapid responses.

22. The following sections provide illustrative examples of how the growing role of the private sector in industrial development is reflected in various technical cooperation programmes of UNIDO:

(a) UNIDO's enterprise development and restructuring programme integrates three special areas of relevance for private sector development: (i) privatization, i.e. transfer of ownership of State-owned enterprises, linked with greater reliance on market forces; (ii) enterprise restructuring to improve competitiveness and efficiency; and (iii) quality management: in response to increasing competition, UNIDO's quality, standardization, testing and metrology activities are designed to support private (and public) sectors in the build-up of required technological infrastructure and to sustain privatization and restructuring programmes. Recent successful examples include: formulation of legal framework and ownership rights for privatization and restructuring (Angola, Yemen); launching of an African privatization network (in cooperation with the World Bank); the regional programme for modernization of the capital goods sector in selected Latin American countries; support in quality management to Kenyan enterprises; and the high impact programme on food quality and safety, applying the principles of the UNIDO quality approach to the food-processing sectors of seven African countries.

(b) In the area of industrial policies and strategies, UNIDO supports the formulation and implementation of industrial development policies in a consensual approach through assistance to governments in formulating medium- and long-term industrial development strategies, and to private sector institutions (i.e. manufacturers' associations, chambers of commerce and industry) in order to generate their understanding and interest to cooperate with governmental institutions in formulating and above all implementing industrial policies. Recent examples include UNIDO support to the strategic management of industrial development in Kenya and the medium-term industrial strategy preparation in Viet Nam, in both cases in close interaction with the countries' private sector; the private sector development programme in Uganda; the establishment of an industrial information centre for the Chamber of Manufacturers in Papua New Guinea; and the request from the Confederation of Industrial Chambers of Mexico (CONCAMIN) to assist in formulating a long-term industrial development strategy (Vision 2020), which will be entirely funded from the country's private sector based on pledges already made.

(c) UNIDO's small and medium industries programme aims at the private sector as ultimate beneficiary. Among recent initiatives, encouraging results were achieved with the private sector both as beneficiary and counterpart through the industrial subcontracting and partnership programme and its planned global network, and the UNIDO/Italy joint programme on improving the overall performance and collective efficiency of sectoral clusters of SMEs, by adapting the Italian experience in developing flexible production systems of clusters of SMEs to the needs and specific conditions of selected developing countries.

(d) In the area of industrial information, priority is being assigned to establishing networks in order to provide decision makers, investors, entrepreneurs and other interested professionals with relevant industrial, technological and market information (as implemented successfully in the case of Sri Lanka). Network users

at the international level would also be given access to industrial databases and other relevant international business sources. As a support programme to private sector development, UNIDO operates the international referral system (IRS) as an information brokerage service. It operates by matching clients who have questions on industrial issues with professionals or institutions throughout the world who can provide state-of-the-art, tailor-made answers to those questions. Clients normally are entrepreneurs in developing countries. Information is provided by two distinct groups: (i) specialized information sources, providing information products in order to solve daily production problems or develop new production facilities; and (ii) investment facilitators offering services related to the financing or cooperation (joint ventures, licensing, etc.) aspects of industrial activities.

(e) Among UNIDO's technology-oriented activities, a programme is under preparation with financing from the recipient country itself to promote industrial partnerships, designed to provide industrialists, R and D institutes and other interested parties with assessed information on partnership potentials in selected thematic areas (instrumentation, telecommunications, electronics, etc.).

(f) UNIDO investment promotion programmes for many years have generally involved projects from the private sector or advice to industrial associations or similar groupings. Specifically, UNIDO operates a project with Japanese private sector support to promote cooperation with entrepreneurs in developing countries, and particularly investments in the form of joint ventures. Recently, activities under the programme were reoriented from Asian to African small and medium industries. All investment forums organized by UNIDO are based on intense cooperation with the private sector. This was the case, for example, in the Intechmarts held in India in 1995 and 1996 (in close association with the Federation of Indian Chambers of Commerce and Industry) and the forthcoming forum in the Philippines (in cooperation with the country's Chamber of Commerce and the Philippine Export Association).

(g) UNIDO's environment programme has recently developed a strong emphasis on addressing the needs of the private sector, particularly those of small and medium enterprises, which often face large barriers (both in terms of costs and expertise) in accessing cleaner technologies. Under the Montreal Protocol activities, many of UNIDO's support recipients are private sector companies. In some cases, also clusters of informal sector companies are assisted in their efforts to eliminate ozone-depleting substances. Likewise, the joint UNEP/UNIDO national cleaner production centres programme largely benefits the private sector, *inter alia*, through in-plant demonstrations of cleaner technologies. Specifically, a method developed in the Netherlands in the late 1980s (under the name of PRISMA) has proven to be applicable to the context of small and medium industrial enterprises during a UNIDO demonstration project on waste reduction.

(h) The sector-specific support programmes of UNIDO are also characterized by an increasing involvement of the private sector. For example, in India, a workshop was organized in 1996 in cooperation with the Indian Chemical Manufacturers Association on safety and environmental issues in the country's chemical industry. As a result, the creation of a national networking system is being planned with support from UNIDO to promote integrated safety approaches linking large-, medium- and small-scale operations. In Brazil, an institution-building project applying modern technologies in the country's textiles and clothing industry recently has moved into its second phase. The project is self-financed from industry sources, partly through fees for the services provided to private industrial enterprises.

C. UNIDO cooperation with non-governmental organizations

23. The last two decades have been witness to a significant growth in the number, size and profile of NGOs active in international development. Their contribution to promoting people-centred sustainable development is largely recognized by the organizations of the United Nations system and has been the subject of increased attention by the Administrative Committee on Coordination. In this context, UNIDO is in the process of expanding its cooperation with various types of NGOs active in the industrial sector in developing and industrialized countries as well as in countries with economies in transition. The mandate to strengthen cooperation with NGOs was reinforced in General Conference resolution GC.6/Res.16, which, together with

resolution GC.6/Res.7 on environmentally sustainable development, endorses the recommendations of the first UNIDO NGO Forum on Cleaner Industrial Production held from 30 November to 1 December 1995.

24. Emphasis is placed on enhancing NGO participation in all priority areas of UNIDO, on expanding the network of industrial NGOs cooperating with UNIDO on a regular basis, increasing the number of NGOs in consultative status, on further developing programmes and projects, as well as on establishing a comprehensive industrial NGOs database. A number of activities with NGOs have been undertaken in 1996. Two meetings were jointly organized with the Institute of Higher Management and with Nimtech under the theme of transfer of cleaner technology and investment opportunities in cleaner production (IDB.15/11, paras. 7-9). During Habitat II, UNIDO and the International Network for Environmental Management (INEM) organized a round table on sustainable industries for cities at the World Business Forum. Business and industrial information in a globally networked society were discussed with international NGOs at a panel discussion during the Conference on Globalization of Information held in Graz, Austria from 20 to 25 October 1996 (IDB.15/11, para. 15). Furthermore, challenges and commercial opportunities associated with cleaner production in Central and Eastern Europe will be discussed at a meeting jointly organized by UNIDO and the Austrian Society for Environment and Technology to be held on 5 November 1996 in Vienna. At the Forum, which is open to the Austrian public and the private sector as well as organizations involved in promoting cleaner production, concrete case studies and a catalogue of cleaner production projects in Central and Eastern Europe will be presented.

25. Planned activities with NGOs in 1997 include cooperation with business and industry NGOs in energy projects within the framework of the United Nations Framework Convention on Climate Change; with trade unions, universities and training centres in the preparation of the NGO forum on industries for the twenty-first century with emphasis on workforce requirements in industry, to be held prior to the seventh session of the General Conference; and with international and national African NGOs concerning their experience in support of micro- and small-scale enterprise development in the context of the programme for the Alliance for Africa's Industrialization.

26. In order to further associate NGOs with the Organization's effort to promote and assist industrialization, UNIDO is refining its concept of involving NGOs more deeply at all levels of its activities, including technical cooperation, programme development and implementation. In this context, cooperative and innovative approaches between the public and private sector are being increasingly fostered by UNIDO. A recent example of this approach is a project co-financed by the Swiss Government and a Swiss NGO that provides the services of a junior expert in support of UNIDO activities with NGOs.

III. ECONOMIC AND TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES

27. The importance of economic and technical cooperation among developing countries (ECDC/TCDC) has been recognized by the international community for many years and enjoys the full commitment and support of UNIDO. At the same time, it is recognized that despite the continuous efforts of all actors involved, the ECDC/TCDC modality has not been developed to its full potential. UNIDO is convinced that the concept will in future assume increased importance in the light of the changing international political and economic environment and its impact on the traditional structure of multilateral technical cooperation.

28. With the aim to move away from traditional ECDC/TCDC programmes and projects, such as provision of training and expertise or holding of stand-alone expert group meetings with only limited impact, UNIDO is redirecting the focus of its ECDC/TCDC programmes towards high impact activities at both regional and interregional levels, within the framework of the Organization's thematic priorities.

29. Based on a series of internal and external consultations on the development of new programmes, and given the specific experience and know-how available at UNIDO, the emphasis of ECDC/TCDC support

activities will in future be directed towards strategic initiatives that are likely to have a major impact on a large number of developing countries, and will encompass major development issues and themes, such as investment, transfer of technology, environment and sustainable development, human resources development, energy and rural development, and promotion of small and medium-sized industries.

30. Bearing in mind the growing differentiation among groups of developing countries in different regions and the need to select differentiated strategies in the development of programmes so as to reflect varied requirements, UNIDO support to ECDC/TCDC efforts will concentrate on the following areas:

(a) Support to regional and interregional groupings, such as the Group of Fifteen, the Association of South-East Asian Nations, the Common Market of the Southern Cone, the Southern African Development Community and others, to promote economic cooperation and integration among developing countries: specific programmes will be formulated in response to the special needs and requests of each grouping;

(b) Promotion of technical cooperation from the more advanced developing countries to least developed countries: specific cooperation programmes will be developed in the areas of textiles and clothing, solar energy technology, environment protection and metrology;

(c) Programmes to encourage the channelling of technical, managerial and financial resources to less developed countries through the promotion of enterprise-to-enterprise cooperation: emphasis will be given to agro-industry, low-cost building materials, and renewable energy resources;

(d) Creation/strengthening of an investment promotion and technology information network among developing countries: efforts will be made to promote investment flows among developing countries, linkages between research and development institutions, institutional training programmes in specialized technological fields and centres of excellence at subregional and regional levels.

31. UNIDO has actively participated in the preparations of the Group of 77 South-South Conference on Trade, Investment and Finance, scheduled to take place in Costa Rica in January 1997, and will contribute three specific elements to the Conference itself: (a) a study on industrial development trends and their implications for South-South cooperation; (b) a UNIDO plan of action for supporting South-South cooperation in the field of industry; and (c) a presentation of key UNIDO programmes, networks, information services and related software through specialized staff.

32. Further to the cooperation with the Group of 77, UNIDO is cooperating with the Group of Fifteen, specifically its Committee on Investment, Trade and Technology, with a view to utilizing the great potential of more advanced developing countries for the benefit of others, particularly the least developed countries.

33. ECDC/TCDC financing and resource mobilization will be pursued both with the developing countries themselves and with the donor community. In this context, it should be recalled that one of the underlying principles of ECDC/TCDC has always been that the primary responsibility for initiating, organizing and financing these activities rests with the developing countries themselves. Over the years, a number of these countries have actively supported the programme and contributed substantially to the Industrial Development Fund in this regard.

34. UNIDO specifically supports initiatives towards co-sponsoring ECDC/TCDC programmes on a cost-sharing basis and will seek to complement such efforts, *inter alia*, by promoting triangular cooperation, which will involve the participation of developed countries. For example, in 1996 UNIDO began implementation of a project in which, under Japanese funding, investment project appraisal expertise from the Philippines is being applied in Kyrgyzstan. Eventually, the project will result in a portfolio of investment opportunities for promotion through the UNIDO IPS office in Tokyo.

35. As its own contribution to support ECDC/TCDC activities emanating from the developing countries, UNIDO is planning to allocate resources from the Regular Programme of Technical Cooperation to the establishment of an umbrella facility for funding of preparatory and seed activities.

IV. PERSONNEL ISSUES

A. Recruitment

36. In accordance with Article 11, paragraph 5, of the Constitution and decision IDB.15/Dec.2, due regard is paid by the Director-General of UNIDO to the importance of recruiting staff on a wide and equitable geographical basis. The Organization is therefore concentrating efforts to attract applications from qualified candidates from non- and under-represented countries while at the same time paying attention to increasing the representation of women in the Organization. With this in mind, vacancy announcements have been circulated in a proactive manner by using electronic mail, advertisements in economic publications in selected countries and other specialized journals with wide distribution. As a result, the applications received for the three vacant Managing Director posts (D-2) show a clear majority from countries included in List A (between 52 per cent and 75 per cent of applications for individual posts).

37. In order to improve the gender balance within the Secretariat, a world-wide network of various contact sources, such as focal points on women, women's institutions and NGOs, has been put in motion. This network has been initiated in order to encourage qualified women to apply for positions in UNIDO and to update the Organization's roster of potential candidates.

38. In the selection process for all vacant posts, high participation by the Managing Directors and senior staff is ensured from screening of candidates through interviews to the final selection. Managing Directors, with the assistance of the Recruitment and Staff Development Section, are responsible and accountable for the human resources planning within their Divisions. In order to support the Divisions, three personnel officers will function as a core group to facilitate close cooperation with the Divisions in such matters as staffing and recruitment planning, job descriptions and vacancy announcements, appointment and reassignment of staff, entitlements and claims, professional development and counselling and separation of staff.

39. In document IDB.16/17, a new placement and promotion system is reported, which will enhance the principle of competitiveness in filling vacancies for all categories of staff and eliminate the annual promotion reviews. The major features of the system are the active participation of staff in their career development, the encouragement of staff mobility and the promotion of staff members who are selected for advertised vacancies, provided certain seniority requirements are met. The implementation of the new system is under way and will include transition measures in order to ensure that changes in staff functions that have taken place, are taken into account.

B. Consultations with Member States

40. In compliance with decision IDB.15/Dec.2, para. (e), the Director-General has been in frequent and close contact with Member States concerning the three posts of Managing Director of the Divisions of Administration, Industrial Sectors and Environment, and Research and Publications. In addition to specifically writing to some Member States and regional group representatives, 35 formal bilateral consultations have taken place. Additionally, during mission travel in 1996, extensive consultations were carried out in capitals and at United Nations Headquarters in New York with Heads of State and Ministers of Foreign Affairs and of Industry.

41. A recruitment strategy was designed for providing priority information to Mission representatives, utilizing expertise of other United Nations agencies, attracting candidates from industry-related organizations,

especially in under- and non-represented countries, advertising in specialized publications and local newspapers, encouraging applications from women nationals from all Member States and maintaining an adequate regional balance.

42. Specific recruitment actions taken include: job profiles distributed to all Member States, and selected United Nations agencies, local press advertisements in non- and under-represented countries, special letters to chairpersons/presidents of industry-related organizations in selected countries, job search through a dedicated publication for high-level international employment, and an appeal to all Ministers of Foreign Affairs and Industry in the African region to submit qualified candidates.

43. A total of 91 official applications (seven of the applicants female) were received for the three positions. The background of serving staff also was reviewed and the Director-General has met with UNIDO staff members who have expressed an interest in the vacancies. The possibility of reassigning serving Managing Directors has been given due consideration. The Director-General and other senior staff have also personally interviewed seven external candidates, five from List A (including one woman) and two from List B.

44. In a meeting on 8 October 1996, Ambassadors of Member States were briefed on the recruitment and consultation process and the Director-General shared his selection criteria and his conclusions as to the selection of candidates for the three D-2 posts. Owing to one internal reassignment, an additional recruitment effort will be made to fill the post of Managing Director, Country Programmes and Funds Mobilization Division. It is intended to fill the post with a candidate from the African region, preferably from sub-Saharan Africa. Women candidates will be given special consideration.

V. STATUS OF REFORM IMPLEMENTATION

45. In document GC.6/30 (para. 34), a timetable was established for the full implementation and fine-tuning of the UNIDO reform. Progress achieved up to April 1996 in carrying out the tasks to be completed was reported in document IDB.15/14 (para. 70, table 2). At that time, most items of the reform agenda already had been covered. Information is provided below on action taken with regard to those reform elements which had not been fully completed in April 1996.

(a) Formulation and issuance of Director-General's bulletins establishing procedures for, and specifying the application of, basic management principles

46. A Director-General's bulletin (UNIDO/DGB(G).1/Rev.1) was issued in October 1996 setting general standards for the issuance of future bulletins. The new bulletin at the same time eliminates over 150 old and obsolete bulletins and renumbers the remaining 49 bulletins which are still valid, thereby clarifying their status.

47. In April 1996, Director-General's bulletins UNIDO/DGB(E).11 and UNIDO/DGB(M).12 were issued to clarify procedures for outgoing correspondence and management of official travel. Responsibilities, authority and accountability of staff in different units are clearly defined, applying the new management principles. Similarly, Director-General's bulletin UNIDO/DGB/(O).13 was issued, establishing new procedures to manage publications.

48. Furthermore, several Director-General's bulletins have been drafted to support the implementation of the new management principles in areas such as executive reporting, internal control, committee work and external auditing procedures.

49. Apart from their incorporation in new bulletins, the seven management principles (empowerment, accountability, transparency, action/decision orientation, result orientation, balanced management and leadership) are generally taken into account in designing new procedures and guidelines. One example is the

new job description for Managing Directors, which clarifies their authority and accountability. The principles are also applied to define desirable standards when management audits are conducted by Internal Audit.

(b) Formulation of revised project cycle management procedures, including coverage of the post-approval stage, viz. implementation, monitoring and evaluation.

50. The formulation of revised project cycle management procedures has been fully completed, as reported in greater detail in chapter I of the present report.

(c) Harmonization of procedures and simplification of accounting procedures for UCD and IPS offices

51. In line with UNIDO's reform process and the new management principles, new procedures and administrative guidelines have been developed to simplify administration and give greater autonomy and flexibility to the IPS offices.

52. The objectives of the new procedures are:

- To simplify the financial implementation of IPS projects, including settling of travel claims;
- To delegate to IPS offices the authority to incur certain expenditures, hitherto administered by Headquarters;
- To delegate the authority for some recruitment and procurement actions;
- To streamline monthly reporting of accounting transactions by IPS offices, whilst ensuring that a high standard of financial reporting remains intact.

53. These procedures, some of which are already being applied, will come into effect shortly. A training workshop for IPS office staff was held in April 1996, and an updated version of the Operational Manual for UNIDO Investment Promotion Service offices will be published by the end of 1996 incorporating the most significant aspects of the reform, i.e. delegation, accountability and transparency. The Heads of the IPS offices will be authorized by the Director-General to assume the full responsibilities contained in the new procedures, thus completing the process of administrative and financial decentralization for the IPS offices.

54. As mentioned in paragraph 11 above, the further decentralization and delegation of authority to UCD offices will be reviewed following the introduction of subregional offices as proposed to Member States in document IDB.16/19. Meanwhile, a new quarterly reporting system for UCDs was introduced, linked to the annual work programme of field offices and establishing uniform reporting requirements. The system emphasizes four dimensions of the work of the UCD: programming; funding; meetings and missions; and issues related to JPOs, Associate Experts and other staff. The consistent application of the new reporting system is monitored by the Field Representation Support Unit in the Country Programmes and Funds Mobilization Division.

(d) Formulation of a new MIS strategy and policies

55. In view of the transition period following the staff reduction exercise and the organizational restructuring of UNIDO, the formulation of an information technology (IT) strategy has been slightly delayed. It will be completed by the end of 1996.

56. The new IT strategy will provide the framework for the management of information as an institutional resource and will define the goals to be achieved for the next three to five years as well as the means to achieve such goals. The IT strategy will include: (i) an overall needs analysis of the support which information technology should provide to business processes as well as to administrative services of UNIDO; (ii) an assessment of the current situation; (iii) a technical architecture in the form of overall standards of hardware, software, databases and networks; (iv) an organizational architecture to define the role of

committees, the organizational structure and placement of MIS within the Organization, the core services that should remain centralized and the services that have potential for decentralization; (v) a prioritization exercise to be carried out by the Information Technology Management Committee based on the availability of human and financial resources; and (v) a document that describes the macro-level strategy, from which, as an immediate step, the 1997 work plan for IT activities will result.

(e) Introduction of internal cost accounting system allowing comparison between costs incurred and income earned at the Programme level

57. The new internal cost accounting system has been developed and implemented. Based on the new system, an internal report is being produced on a monthly basis as a management tool.

(f) Complete overhaul of personnel policies and procedures, with particular attention to recruitment, accountability, and staff rewards and career development

58. The complete overhaul of personnel policies and procedures has been characterized by the following elements:

(i) A new customer service approach—Divisional personnel officers now provide full-range personnel services to the management and staff of the Division to which they are assigned, from human resources planning to a streamlined recruitment process, as well as the reassignment, contract administration and termination of staff. This has been achieved through a functional reorientation without additional staff resources;

(ii) Decentralized structure for the personnel function and accountability of line managers—Divisional personnel officers establish intra-divisional teams with divisional administrative and other staff as the basis for a customer-driven decentralization of the personnel function. Divisional managers have been made accountable for appropriate recruitment planning, appointment of staff in observance of established criteria for geographical and gender balance and for the evaluation of staff performance;

(iii) Delegation of personnel authority—Personnel authority and accountability have increasingly been delegated to the lowest possible functional levels, including to personnel assistants and clerks where the application of routine procedures is involved;

(iv) Personnel policy development through multidisciplinary, self-directed teams—Several working groups of the Joint Advisory Committee (JAC) have been tasked to develop and implement new policies and procedures on staff communications and management of change, staff advancement through learning, mobility and succession planning, advancement of women, staff rewards, etc. These working groups are chaired by members of JAC and consist of a wide organizational cross-section of staff serving in their personal capacity. Their work is tightly scheduled and monitored by JAC, which makes recommendations to the Director-General.

The appointment and promotion bodies have been reconstituted to advise on new recruitment and selection policies in addition to their traditional task of making selection recommendations to the Director-General. This includes monitoring of the established criteria for geographical and gender balance. Their membership is oriented at geographical, divisional, gender and grade criteria;

(v) Intensified staff relations at four distinct levels—Formal interaction between management and staff occur at the level of: (a) JAC and its working groups; (b) the President of the Staff Union and the Director of Personnel Services; (c) the divisional personnel officers and staff representatives; and (d) the Staff Council and the Director-General. In addition, there are numerous informal means of communication.

59. The new promotion system as described in paragraph 39 of the present report encourages staff mobility and provides an effective means of career development. In addition, the system of annual staff awards for distinguished service as introduced in 1995 will continue to be applied, thereby providing incentives for both team performance and individual achievements.

VI. OUTLOOK

60. From the above status report, it follows that UNIDO has virtually completed its reform agenda. The main outstanding issue is the finalization of a new information technology strategy which is scheduled to be completed at the end of 1996.

61. While the reform agenda as such has now been practically covered, there is clearly a need to ensure that the new priorities, approaches, mechanisms and procedures which have been introduced over the last three years are closely monitored as to their functioning and impact. Experience needs to be assessed at regular intervals and continuous improvements made within the overall concept of UNIDO as a "learning organization".

62. From the outset, it was envisaged to translate the efficiency gains of a reformed UNIDO (the "reform dividend") into an increased level of services to recipient countries, i.e. to improve the balance between resources allocated to substantive programmes and projects of the Organization and those allocated to administrative and support activities. However, as a result of the announced withdrawal of the USA from UNIDO, it has not been possible to covert the reform dividend immediately into enhanced programme delivery; instead, it was diverted into budgetary and staff reductions while roughly maintaining the same level of services.

63. Notwithstanding the above, the basic concept remains valid: any efficiency gains resulting from future continuous improvements and cost reductions at UNIDO, in particular in the area of administrative overheads, would be redeployed into substantive priority programmes and thus passed on to Member States in the form of additional services. In this process, UNIDO will further develop and refine the priorities established jointly with Member States and will sharpen its focus on those areas where the Organization commands superior expertise as compared to other United Nations agencies and thus can bring to bear on industrial development its comparative advantage.

VII. ACTION REQUIRED OF THE BOARD

64. The Board may wish to take note of the contents of the present document which, together with documents GC.6/30 and Add.1 and IDB.15/14, provides a summary account of the process and results of UNIDO reform.

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